

Message Text

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ORIGIN EB-03

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FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA PRIORITY
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C O N F I D E N T I A L STATE 153121

LIMDIS

E.O. 11652: GDS

TAGS: EAGR, ETRD, CA, CU

SUBJECT: RE-EXPORTS OF CUBAN SUGAR

1. DURING QUESTIONING BEFORE HOUSE AGRICULTURE COMMITTEE, ASSISTANT SECRETARY KATZ WAS ASKED IF SUGAR OF CUBAN ORIGIN WAS BEING IMPORTED VIA CANADA. KATZ REPLIED THAT TO HIS KNOWLEDGE THIS WAS NOT THE CASE, BUT THAT HE HAD NO SPECIFIC INFORMATION ON MATTER. HE ADDED, HOWEVER, THAT SUCH IMPORTS WOULD BE A VIOLATION OF U.S. LAW.

2. IT HAS COME TO THE DEPARTMENT'S ATTENTION FROM
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U.S. TRADE SOURCES THAT REFINED SUGAR EXPORTED FROM CANADA TO U.S. MAY HAVE BEEN DECLARED TO CANADIAN AUTHORITIES TO HAVE BEEN OF CUBAN ORIGIN. CANADIANS REPORTEDLY USE DUTY STRUCTURE THAT APPLIES CONSIDERABLY HIGHER DUTY TO CUBA SUGAR THAN TO SUGAR FROM PRESENT AND FORMER COMMONWEALTH COUNTRIES (E.G. AUSTRALIA AND SOUTH AFRICA). THERE IS AN INCENTIVE TO DELCARE THAT SUGAR

EXPORTED TO U.S. IS OF CUBAN ORIGIN BECAUSE SUCH DECLARATION WOULD RESULT IN HIGHER CUSTOMS DRAWBACK (REFUND OF IMPORT DUTIES) WHEN SUGAR EXPORTED. THIS INCENTIVE WOULD BE THE SAME WHETHER OR NOT SUGAR WAS ACTUALLY OF CUBAN ORIGIN.

3. THE DEPARTMENT IS CONCERNED ABOUT TRADE REPORTS RE CUBAN SUGAR. EVEN IF CUBAN SUGAR IS NOT BEING RE-EXPORTED TO U.S. BY CANADA, INCORRECT OR FALSE DECLARATIONS COULD PROVE QUITE EMBARRASSING TO USG. CONGRESSIONAL HEARIN SUGAR ISSUES CONTINUE, AND WE EXPECT TO BE ASKED AGAIN WHETHER CUBAN SUGAR REFINED IN CANADA IS BEING RE-EXPORTED TO U.S. DEPARTMENT HAS ALREADY INFORMED OFFICIALS IN CANADIAN EMBASSY THAT WE INTEND TO RAISE MATTER IN OTTAWA. REQUEST EMBASSY DISCUSS SITUATION WITH CANADIAN GOVERNMENT AND REPORT RESULTS. CHRISTOPHER

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